

PHYSICIANS' SERVICES INCORPORATED TO ONTARIO MEDICAL SERVICES

INSURANCE ENQUIRY

JANUARY 28, 1964

Throughout our submission we have made various recommendations relating solely to the service concept of prepaid medical care. If any of these recommendations is not implemented the entire service principle as established by the medical profession and as exemplified in the majority of the non-profit doctor sponsored plans across Canada would be seriously disrupted if not destroyed. Because of the prime importance to the public of maintaining the service principle in Bill 163 we would like to amplify and clarify the meaning of a "service carrier".

There are several important points involved.

1. There must be participating physicians, i.e. physicians who have signed an agreement which includes two main principles -- (a) the physicians agree to forego temporarily or permanently a percentage of their allowed accounts to cover administrative costs and a part of the stabilization reserves. In addition they accept the principle involved in underwriting agreements that under emergency conditions their allowed accounts may be pro rated to protect the service plan from financial embarrassment, and -- (b) the physicians agree that unless it is otherwise set out in the subscribers' agreement, they will accept the payment of the service plan as full and final for the services rendered. Paragraphs 29-34 on pages 6 and 7 of our submission go into the details of this arrangement.
2. There must under Bill 163 be free choice of physician and this will mean that some subscribers to the standard plan enrolled through the service plan will use the services of non-participating physicians. It is our opinion that because of the underwriting principle inherent in the participating physicians' agreement the service plan cannot pay to the subscriber who has received services from a non-participating physician a greater amount than it would have been obliged to pay to the participating physician for the same services. Paragraphs 103 to 106 on page 43 go into this in detail.
3. There must be sufficient "participating physicians" to make a "service plan". It is generally conceded on this continent that an organization cannot be considered

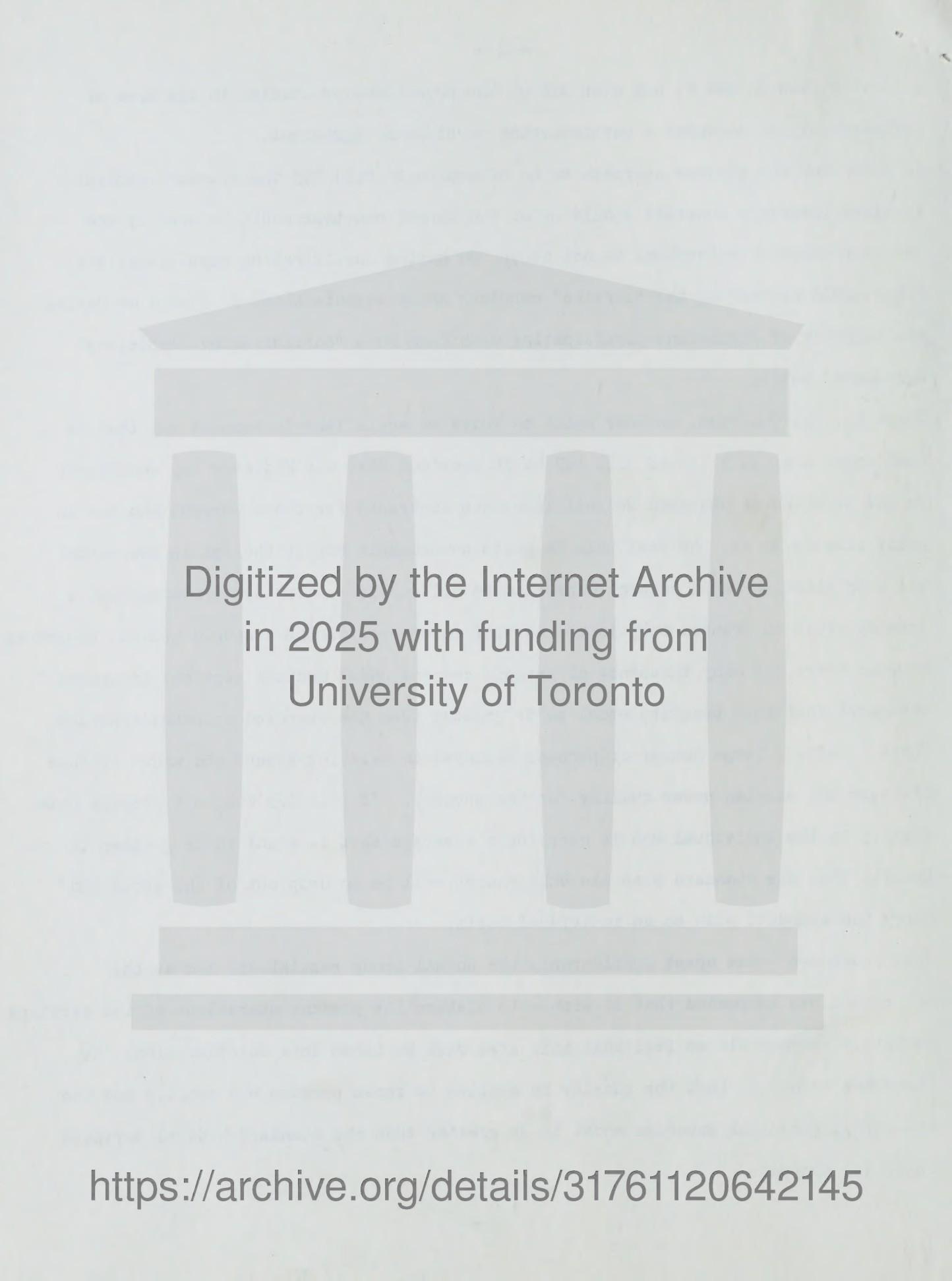


a service plan unless it has over 51% of the physicians practicing in its area of influence signed up under a participating physicians' agreement.

In order for the service approach to be effective in Bill 163 the standard medical services insurance contract should be of two types: one type would be used by the carriers whose organizations do not depend on having participating physicians; the other would be used by the "service" carriers whose organizations do depend on having the majority of physicians participating with them on a "participating physicians' agreement" basis.

There is, Mr. Chairman, another point on which we would like to comment and that is that under article 3 (b) of Bill 163 it is provided that the Minister may contribute to the purchase of Standard Medical Insurance contracts for those persons who are in needy circumstances. We feel this is quite commendable but as the Act is now worded the subsidization could present a problem to all carriers. The Act provides that a subsidy would be granted only in the case of purchasers of the standard medical contract; however there are many thousands of persons covered under medical services insurance contracts that have benefits equal to or greater than the proposed standard contract. There is also a large number of persons employed in existing groups who would because of their low earning power qualify for the subsidy. If Bill 163 will not provide this subsidy to the individual who is carrying a coverage that is equal to or greater in benefit than the standard plan his only choice will be to drop out of the group and carry the standard plan on an individual basis.

This procedure would upset considerably the normal group regulations and as the government has intimated that it wishes to disturb the present operations of the carriers as little as possible we feel that this area must be taken into consideration. We therefore recommend that the subsidy be applied to those persons who qualify and who are carrying medical coverage equal to or greater than the Standard Medical Services Insurance contract.



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A third point which we neglected to include in our submission is the composition of the Board of Directors of M. C. I.

As we have already mentioned the service approach to prepaid medical care is distinct from that of any other type of carrier and this distinction should be reflected in the composition of the directorship of M.C.I.

The voting power of the directors of M.C.I. should be arranged so that the service organizations and/or the other carriers cannot out-vote each other but would be forced to solve their differences through compromise.

We therefore recommend that:

The Board of Directors of Medical Carriers Incorporated consist of seven persons, as follows:

Three representing the service plans - 2 of which will represent P.S.I. and
1 of which will represent W.M.S.

Three representing all other carriers - 2 of which will represent C.H.I.A. and
1 of which will represent all other carriers;
with the addition of one who will be elected by a unanimous vote of the above six
directors to act as a non-voting president.

Each director representing the carriers would be entitled to one vote at all meetings
of directors.

